

# Ag Decision Maker

## A Business Newsletter for Agriculture

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### Who owns and rents Iowa's farmland?

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**F**armland is arguably the largest single item in a typical investment portfolio of U.S. farmers and it accounts for about 85 percent of the equity for the entire farm sector (USDA-ERS 2015). For Iowa, farmland not only represents the base for our agricultural production; farmland, including buildings, represents over \$259 billion dollars of wealth in the state. After enjoying a decade of growth, farmland values in Iowa and in the Midwest are expected to further decline, which sparks recent interest on topics related to land values, land ownership, and land tenure. Who owns, buys, and rents Iowa's farmland, how it is farmed, and who will be vulnerable to potential declines in value are important questions for the future well-being of both Iowa farmers and the agricultural sector of the state in general.

To understand more about rented land and who owns it across the country, USDA's National Agricultural Statistical Service (NASS) and USDA-ERS conducted and just recently released the results of the 2014 Tenure, Ownership, and Transition of Agricultural Land (TOTAL) survey. TOTAL is a special study as part of the Census of Agriculture program to collect data from landowners and landlords of agricultural land, including non-operator landlords. This survey collected data in the 48 contiguous states on landlords' acres rented out, income, expenses, assets, debt, land transfer plans, landlord demographics, and more.

Two of the most striking findings of the survey are: 1) about half of Iowa's farmland is rented or leased from someone else; and 2) Iowa ranks second in the nation in total agricultural rent received

at \$3.7 billion, following Illinois.

This article explores some additional highlights of Iowa landlords from the report. More information such as the economics of land ownership and demographics

*continued on page 2*

#### Handbook updates

For those of you subscribing to the handbook, the following new updates are included.

**2015 Farmland Value Survey** – C2-70 (8 pages)

**Livestock Planning Prices** – B1-10 (1 page)

Please add these files to your handbook and remove the out-of-date material.

*continued on page 6*

#### Inside . . .

Iowa crop farming profitability in the 21st century ..... Page 3

Who owns and rents Iowa's farmland?, continued from page 1

of landowners can be found in AgDM File C2-78, [Who Owns and Rents Iowa's Farmland?](#).

## Land ownership arrangements

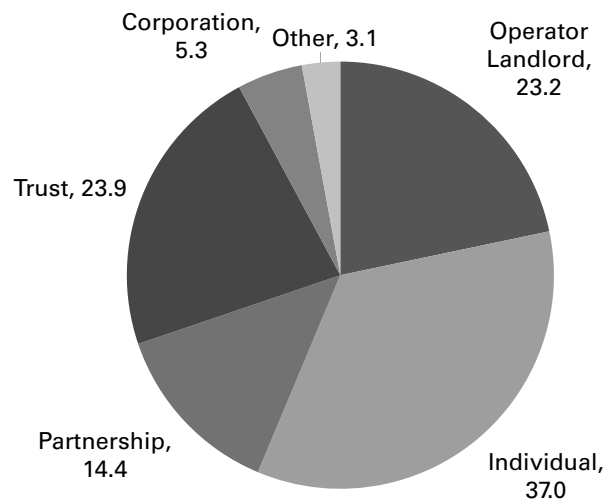
Table 1 shows the number of operator and non-operator landlords by ownership arrangements for Iowa, the Midwest, and the nation as a whole. TOTAL defines the Midwest as Iowa, Illinois, Minnesota, Wisconsin, Indiana, Ohio, and Michigan. The results suggest that non-operator landlords – landowners who rent out land but do not farm land themselves – account for the majority of landowners in each of the three geographic definitions: 80.6 percent in Iowa, 84.9 percent in the Midwest, and 86.9 percent in the contiguous United States. Iowa, in particular, had 105,194 total landlords in 2014, of which only 20,453 are farmers or ranchers.

TOTAL further classified the non-operator landlords into five categories: who rent out land individually or as participants in a variety of ownership arrangements, which includes partnerships, family or nonfamily corporations, or trusts. Individual ownership is the most common in Iowa, accounting for nearly half of all landlords in the state. The second most common ownership arrangement for non-operator landlords is a partnership, which represents 16 percent of all landlords in Iowa and followed by trusts. Family and Nonfamily Corporations account for only 4 percent of all landlords in Iowa, while less

than 2 percent of landlords are municipalities or rent out land under more than one arrangement. The breakdown of landlords by ownership arrangement is very similar to the regional trends in the Midwest and the national average. However, there are minor differences from state to state: In Illinois, for example, trusts were the second most common ownership arrangement at 18.2 percent of all landlords (Kuethe 2015).

In 2014, the 105,194 landlords rented out 16.33 million acres of farmland (cropland and pastureland) in Iowa, and account for more than half of Iowa's 30.6 million acres of agricultural

**Figure 1. Share of rented acres by ownership arrangements, Iowa, 2014**



Total acres rented out in Iowa, 2014: 16.33 million acres.

**Table 1. Landlords by ownership arrangements in Iowa, Midwest and the U.S.: 2014**

	Iowa	Percent	Midwest	US
Operator Landlords	20,453	19.4%	107,955	280,044
Non-operator Landlord	84,741	80.6%	607,263	1,851,796
Individual	48,897	46.5%	344,044	1,092,551
Partnership	17,078	16.2%	118,759	361,826
Trust	13,589	12.9%	100,239	249,632
Corporation	4,266	4.1%	26,877	91,011
Other	1,860	1.8%	17,344	56,776
Total	105,194	100%	715,218	2,131,840

Numbers in this table may not add due to rounding, and the Midwest is defined as Iowa, Illinois, Minnesota, Wisconsin, Indiana, Ohio, and Michigan.

continued on page 3

Who owns and rents Iowa's farmland?, continued from page 2

**Table 2. Acquisition of land rented out to others, Iowa, 2014**

	Operator Landlord (percent)	Non-operator Landlord (percent)	All Farmland (percent)
Purchased from non-relative	50.5	32.5	36.7
Purchased from relative	18.1	14.4	15.2
Purchased at auction	5.8	5.7	5.7
Inherited or received gift	24.7	46.5	41.4
Obtained some other way	<u>0.9</u>	<u>0.9</u>	<u>0.9</u>
Total	100	100	100
Total Acres Rented Out	3,786,869	12,546,625	16,333,494

**Table 3. Five-year plan to transfer acres rented out and all farmland in Iowa, 2014**

	All Acres Rented Out		Non-operator Landlord		All Farmland	
	Acres	Percent	Acres	Percent	Acres	Percent
Put or keep in a trust	1,212,602	69.5	615,228	57.2	1,730,267	64.5
Sell to a non-relative	155,912	8.9	137,114	12.7	199,315	7.4
Gift	92,067	5.3	NR	NR	134,839	5.0
Sell to a relative	<u>233,802</u>	<u>13.4</u>	<u>NR</u>	<u>NR</u>	<u>569,202</u>	<u>21.2</u>
Total to Transfer	1,744,444	100	1,075,983	100	2,683,684	100
Put or keep in will	1,586,081		1,265,885		2,378,860	

NR - numbers not reported

land base across the state. Figure 1 shows how the land rented out is divided by ownership arrangement. Of these acres rented out, 23 percent were rented out by operator landlords – those who not only operate on owned acres but also rent out additional land, and 77 percent by non-operator landlords. While only 19.4 percent of landlords operate a farm, the operator landlords account for more than 23 percent of total acres rented out, suggesting that current operators tend to rent out larger fields, all else being equal. Similar trends can be found for trusts and corporations.

## How did landlords acquire the land they rent out?

In Iowa, operator landlords purchased more than 70 percent of the land they rent out from a non-relative, a relative, or at auction. In contrast, non-operator landlords in Iowa inherited or received as a gift about half (46.5 percent) of the land they rent out (Table 2). Furthermore, purchase from a non-relative occurred more frequently than purchase from a relative or at

auction. Finally, of all acres rented out, 41.4 percent were inherited or received as a gift, followed by purchased from a non-relative which accounts for 36.7 percent of all farmland rented out.

## A look ahead: ownership transfer in the next five years

The TOTAL survey asked landowners about their plans for transferring ownership in the next five years – what they plan to do not only with the land they currently rent out for agricultural purposes but with all their land. All landlords in Iowa expect to transfer out 1.7 million acres of all the acres they rent out over the next five years, which account for about 11 percent of all acres rented out. For all farmland they own in Iowa, they expect to transfer out 2.68 million acres in the next five years, which is about 9 percent of the total agricultural land base in the state, not including land expected to be transferred through wills (about 2.38 million acres). Of land slated for ownership transfer, landlords expect to keep or put more than 60

continued on page 4

Who owns and rents Iowa's farmland?, continued from page 3

percent of these acres in trusts. Less than 10 percent of land is expected to be sold to a non-relative, while more than 20 percent is expected to be sold to a relative or given as a gift. This means only a small percentage of farmland will be available for new entrants into the farming sector in Iowa.

## References

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## Iowa crop farming profitability in the 21st century

By Don Hofstrand, retired extension specialist

Crop farming in the U.S. has been very financially volatile during the 15 years of the 21st Century. Volatile crop prices have created periods of strong profitability which, in turn, have driven up farmland rents and market values and prices of production input. These same volatile crop prices have also created periods of economic breakeven or even loss for some farmers.

To better analyze profitability at the farm level, I have created two "typical" Iowa crop farmers who grow corn and soybeans. Using average costs, yields, and efficiency factors, the only difference between the two farmers is how they control the land resource. One farmer owns the land, with no debt and the other cash rents. The monthly profitability of these two farmers has been tracked monthly over the past 15 years.

The corn enterprise income, costs, and profits of these two Iowa farmers is shown in Figure 1. Two periods of record high corn prices created generous profits for both farmers. However, the

landowner farmer fared better than the cash renter because of the low land cost (assuming no land debt). The periods of more normal corn prices created modest profits for the land owner farmer and breakeven for the cash rent farmer.

Production costs rose steadily during this period as shown in Figure 2. Cropland rent, seed, fertilizer, and diesel fuel all increased.

Similar results occurred for the soybean enterprise of these two farmers. Figure 3 shows their revenue, cost, and profitability. Years of record high soybean prices generally corresponded with those of high corn prices. Soybeans experienced more normal prices between these record price periods.

Soybean production costs also increased during this period as shown in Figure 4.

If you are interested in learning more about the economics and profitability of corn and soybean production of these two farmers, click on "[Outlook and Profitability](#)" on the Ag Decision

continued on page 5

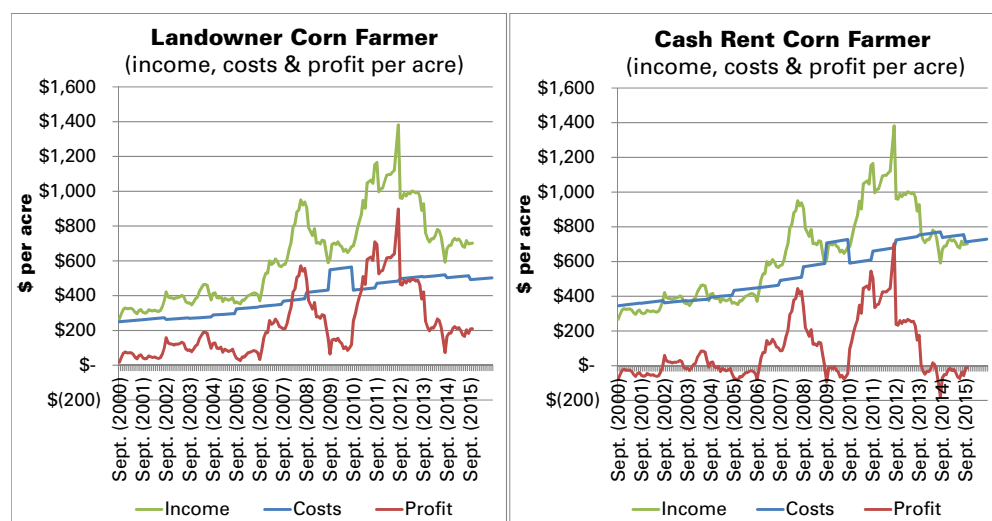
Iowa crop farming profitability in the 21st century, continued from page 4

Maker home page and look under the “Current Profitability” section. There are Microsoft Excel “Decision Tools” for [corn](#) and [soybeans](#) that contain an array of analysis and graphs of the economics and profitability of these two farmers. The tools are updated monthly so you can follow the changing income, costs, and profitability of each farmer.

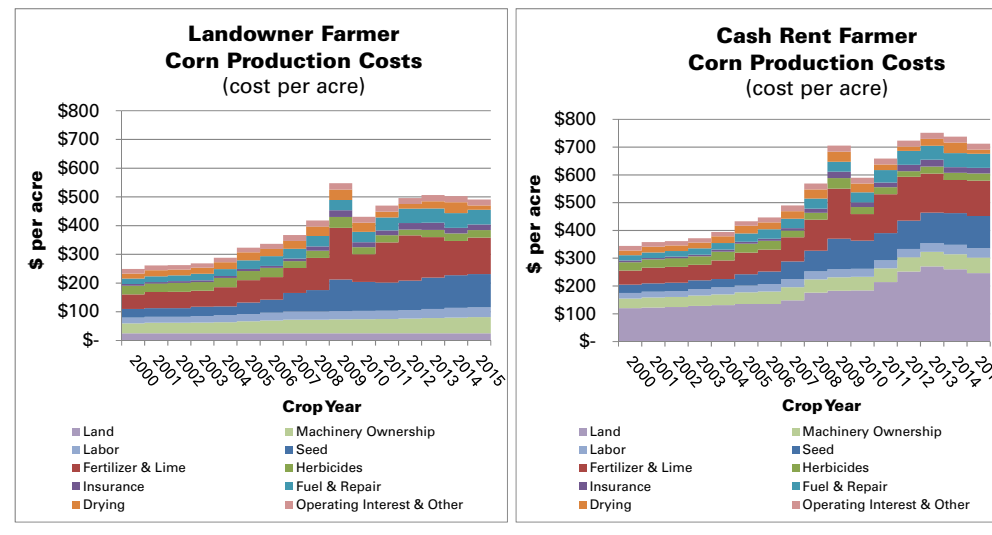
The cost, yield, and acre figures in the analysis represent averages for the state of Iowa and likely don’t represent any one individual farm.

The profit tools allow you to enter data for your farm in the “input model” worksheet of each workbook. You can enter your information for the 2015 crop (or any of the 2000 through 2015 crops) to see where you stand relative to current crop prices. The charts and tables automatically update based on the figures you enter. The workbooks allow you to enter your data into either the land owner farmer or the cash rent farmer portions of the input model even though you may own and rent cropland.

**Figure 1. Income, costs, and profits per acre for corn**



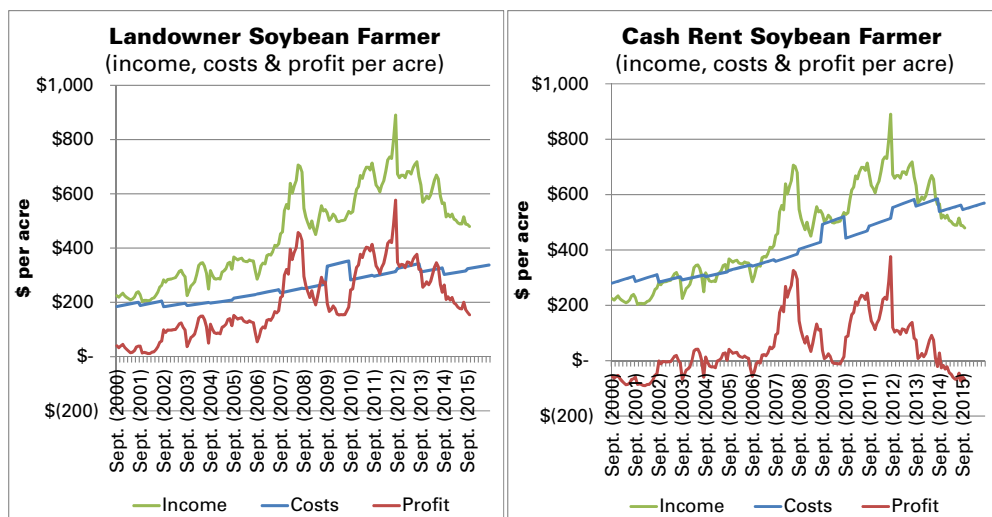
**Figure 2. Costs per acre for corn**



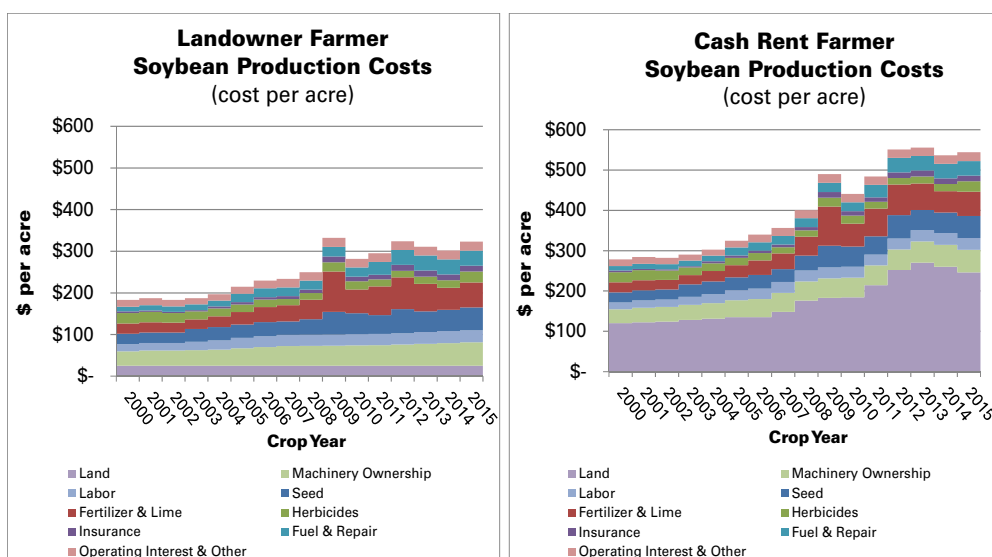


Iowa crop farming profitability in the 21st century, continued from page 5

**Figure 3. Income, costs, and profits for per acre for soybeans**



**Figure 4. Costs per acre for soybeans**



Updates, continued from page 1

## Internet Updates

The following Information Files and Decision Tools have been updated on [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm).

2015 Projected ARC Payments – A1-32 (Decision Tool)

Who Owns and Rents Iowa's Farmland? – C2-78

(7 pages)

Iowa Beginning Farmer Tax Credits and Loan Programs – C4-30 (2 pages)

## Current Profitability

The following tools have been updated on [www.extension.iastate.edu/agdm/info/outlook.html](http://www.extension.iastate.edu/agdm/info/outlook.html).

Corn Profitability – A1-85

Soybean Profitability – A1-86

Iowa Cash Corn and Soybean Prices – A2-11

Season Average Price Calculator – A2-15

Ethanol Profitability – D1-10

Biodiesel Profitability – D1-15

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